

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 EUR-12 L-03 INR-07 SS-15 /046 W
-----151004Z 087705 /12

R 150921Z APR 77
FM USMISSION GENEVA
TO SECSTATE WASHDC 6583
INFO AMEMBASSY MOSCOW

C O N F I D E N T I A L GENEVA 2780

STADIS//////////

FOR EB/MA

EO 11652: GDS
TAGS: EWWT, US, UR
SUBJ: SHIPPING RELATIONS WITH USSR

1. DURING BREAK IN MEETING OF UNCTAD COMMITTEE ON SHIPPING,
US DEL BANK WAS APPROACHED BY SOVIET DEL IGOR AVERIN,
HEAD, INTERNATIONAL RELATIONS DEPT, MIN OF MERCHANT FLEET,
WITH SPECIFIC DESIRE TO "SIT DOWN AND TALK ABOUT SOME
SERIOUS MATTERS."

2. AVERIN LED OFF WITH A "BRIEFING" ON THE MEETINGS HE
HAD JUST CONCLUDED WITH FMC CHAIRMAN BAKKE IN MOSCOW. HE
NOTED THAT THEY HAD ORALLY AGREED TO EXTEND THE PRINCIPLES
OF THE "LENINGRAD AGREEMENT" BEYOND THE NORTH ATLANTIC,
TO ALL TRADES. AVERIN EXPRESSED DISPLEASURE WITH THE
FACT THAT THE FMC VOTED NOT TO APPROVE THE A-DOUBLE A
ARRANGEMENT, BUT HAD DECIDED TO HOLD FORMAL HEARINGS. HE
FEELS THIS WILL TAKE "FOREVER" TO CONCLUDE. HE EX-
PRESSED DISPLEASURE AS WELL WITH THE APPARENTLY STRAIGHT-
FORWARD ESTIMATION MADE BY CHAIRMAN BAKKE THAT WITH THE
APPARENT DELAY IN FMC APPROVAL OF THE CONFERENCE
ARRANGEMENTS, A NEW THIRD-FLAG RATE BILL WILL BE
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INTRODUCED, AND HAVE A GOOD CHANCE OF ENACTMENT.

3. ALTHOUGH EXPRESSING A DISCLAIMER, ("THIS IS NOT A
WARNING OR THREAT") AVERIN BEGAN A STRONG, THOUGH
THEATRICALY DOE-EYED DISSERTATION OF US-USSR RELATIONS.
RECALLING THE CONSEQUENCES OF JACKSON-VANEK ON THE
STILL-BORN TRADE AGREEMENT, AND AN APPARENTLY SIMILAR

INCIDENT WITH FRANCE IN 1930, AVERIN CHARACTERIZED ANY THIRD FLAG RATE BILL AS BLATANTLY DISCRIMINATORY AGAINST THE USSR. HE SOUGHT TO REMIND BANK THAT HE BELIEVED THE ENTIRE SCOPE OF US-SOVIET RELATIONS TO BE A PACKAGE AND THAT LINKAGE EXISTED BETWEEN VARIOUS ECONOMIC AREAS OF THE BILATERAL RELATIONSHIP, AND BETWEEN THE ECONOMIC SPHERE AND THE POLITICAL AND STRATEGIC SPHERES AS WELL. HE SPECIFICALLY WARNED THAT DISCRIMINATORY ACTION AGAINST THE USSR, AS MANIFESTED IN A THIRD FLAG BILL, WOULD HAVE A NEGATIVE IMPACT ON THE OPERATION OF THE US-USSR MARITIME AGREEMENT, AND NOTED THAT THE FEW HUNDRED MILLION DOLLARS MADE BY SOVIET VESSEL OPERATORS IN THE US TRADES IS FAR OUT-SHADOWED BY US EXPORTS (INCLUDING INVISIBLES) TO THE SOVIET UNION. AVERIN DESCRIBED SHIPPING AS ONLY A SMALL PART OF OUR MUTUAL ECONOMIC RELATIONSHIP.

4. HE SPECIFICALLY WARNED THAT IF A THIRD FLAG BILL WERE TO BE "SIGNED BY THE PRESIDENT", THE SOVIET UNION WILL HAVE NO COURSE BUT TO RETALIATE IN THE SHIPPING AND ECONOMIC TRADE AREAS.

5. COMMENT: AVERIN WAS FRIENDLY BUT SERIOUS. IT IS CLEAR THAT THE SOVIETS ARE VERY CONCERNED WITH THE PROSPECT OF THIRD FLAG LEGISLATION, ESPECIALLY NOW THAT THE FMC HAS DELAYED ACTION ON THE PROPOSALS WHICH GREW OUT OF CHAIRMAN BAKKE'S LENINGRAD AGREEMENT. ALTHOUGH HE ACKNOWLEDGED THE NON-ADMINISTRATION ROLE PLAYED BY FMC, AND ADMITTED THE "PRIVATE" "GOOD-OFFICES" NATURE
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OF HIS AGREEMENT WITH CHAIRMAN BAKKE, HE SEES A CONSPIRACY BETWEEN CONGRESS, LABOR, INDUSTRY AND SOME USG AGENCIES TO DISCRIMINATE AGAINST THE SOVIET UNION. AVERIN HELD OUT HOPE HOWEVER THAT THERE WOULD BE NO "COD WAR" BETWEEN THE US AND THE SOVIET UNION, AND THAT CONFRONTATION SUCH AS THAT NOW TAKING PLACE IN FISHING, CAN BE AVOIDED.

6. AVERIN INDICATED THAT HE WAS NOT READY TO DEBATE, BUT SOLELY WISHED TO RESTATE SOVIET POSITION ON THIS MATTER. BANK NOTED THAT STRONG PRESSURE EXISTS IN CONGRESS AND IN INDUSTRY/LABOR TO LEGISLATE PROTECTION FOR TRADITIONAL OPERATORS FROM POSSIBLE PREDATORY RATE PRACTICES BY STATE-OWNED OPERATORS WHICH THROUGH THEIR ACCOUNTING SYSTEMS, PROFIT MOTIVE, FLEET SIZE AND OPERATION HAVE CARRIED AN INCREASED SHARE OF OUR TRADE. HE ALSO POINTED OUT THAT A THIRD FLAG RATE BILL HAD NOT YET BEEN INTRODUCED IN CONGRESS, NOR HAS THE ADMINISTRATION ESTABLISHED ITS POSITION ON THIS ISSUE. SORENSON

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SHIPS, POLICIES, INTERGOVERNMENTAL COOPERATION, TRADE AGREEMENTS, LEGISLATIVE BILLS
Control Number: n/a
Copy: SINGLE
Sent Date: 15-Apr-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977GENEVA02780
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770131-0472
Format: TEL
From: GENEVA
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770454/aaaabuke.tel
Line Count: 116
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1ff498a4-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2797653
Secure: OPEN
Status: NATIVE
Subject: SHIPPING RELATIONS WITH USSR
TAGS: EWWT, US, UR, (AVERIN, GOR)
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/1ff498a4-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009